

BUENA VISTA COUNTY SOLID WASTE COMMISSION

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2004

NEWS RELEASE

FOR IMMEDIATE RELEASE

Hunzelman, Putzier & Co., PLC Storm Lake, Iowa today released an audit report on Buena Vista County Solid Waste Commission.

The firm reported that Buena Vista County Solid Waste Commission receipts totaled \$1,440,104 for the year ended June 30, 2004. The receipts included \$591,919 in city and county assessments, \$618,109 in user fees and gate receipts, \$57,349 from sale of recycled products, \$33,982 from solid waste exchange, and \$1,530 interest on investments. Disbursements for the year totaled \$1,407,920, a one percent decrease from the prior year.

A copy of the audit report is available for review in the office of the Auditor of State and the Alta City Clerk's office.

BUENA VISTA COUNTY SOLID WASTE COMMISSION

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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BUENA VISTA COUNTY SOLID WASTE COMMISSION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
David Wiley	Chairperson	City of Newell
Dick Schmitt	Personnel Manager	City of Storm Lake
Tom Huseman	Secretary	City of Alta
Marty Rowley	Treasurer	City of Lakeside
David Althaus	Member	City of Sioux Rapids
Lorna Burnside	Member	Buena Vista County
Erik Mosbo	Member	City of Rembrandt
Stan Buchholz	Member	City of Truesdale
Starr Abbas	Member	City of Marathon
Abe Falkena	Member	City of Albert City
Ellsworth Jeppeson	Manager	

## Independent Auditor's Report

To the Members of the Buena Vista  
County Solid Waste Commission

We have audited the accompanying financial statements of Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2004 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

As discussed in Note 10, during the year ended June 30, 2004, Buena Vista County Solid Waste Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2004 on our consideration of Buena Vista County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Hungelman, Putzner & Co.*

December 6, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Buena Vista County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Buena Vista County Solid Waste Commission is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### 2004 FINANCIAL HIGHLIGHTS

The Commission's operating receipts increased 8%, or approximately \$109,000, from fiscal 2003 to fiscal 2004.

The Commission's operating disbursements decreased approximately \$10,000, or 1%, from fiscal 2003 to fiscal 2004.

The Commission's net assets increased 44%, or approximately \$32,000, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Commission has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses, and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues, and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Buena Vista County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets - Cash Basis presents information on the Commission's net assets, including balances restricted for specific purposes, and balances unrestricted and available for operating activities.

The Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.



## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Net Assets - Cash Basis

The Statement of Net Assets - Cash Basis presents the assets and net assets of the Commission at the end of the fiscal year. The Statement of Net Assets - Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Commission to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Commission's financial position by analyzing the increases and decreases in net assets.

<u>Assets and Net Assets</u>		<u>June 30, 2004</u>
Assets		
Cash and cash equivalents:		
Restricted		\$ 30,546
Unrestricted		<u>74,186</u>
Total assets		<u>\$104,732</u>
Net Assets		
Net assets:		
Restricted		\$ 30,546
Unrestricted		<u>74,186</u>
Total net assets		<u>\$104,732</u>

The largest portion of the Commission's net assets (71%) are unrestricted net assets that can be used to meet the Commission's obligations as they come due. The remaining net assets (29%) are restricted for closure and postclosure care. State and federal laws, and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure.

### Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements, and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

Operating receipts are received for user and gate fees from accepting solid waste, pop can redemptions, and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts are for interest earned on investments. A summary of cash receipts, disbursements, and changes in net assets for the year ended June 30, 2004 is presented below:

FINANCIAL ANALYSIS OF THE COMMISSION - (Continued)

<u>Changes in Cash Basis Net Assets</u>		<u>Year Ended June 30, 2004</u>
Operating receipts:		
City and County assessments		\$ 591,919
User fees and gate receipts		618,109
Sale of recycled products		57,349
Pop can redemption		122,176
Solid waste exchange		33,982
Finance charges		469
Rent		10,641
Miscellaneous		<u>3,929</u>
Total operating receipts		<u>1,438,574</u>
Operating disbursements:		
Salaries and benefits		657,003
Solid waste exchange		143,560
Monthly meeting reimbursement		3,270
Heavy equipment maintenance		36,563
Fuel, oil, and lubricants		28,938
Operating supplies and repairs		23,082
Office expenses		6,489
Utilities		28,767
Travel and continuing education		2,147
Insurance		34,226
Engineering and testing services		18,668
Legal and accounting services		6,639
Hauling and freight		50,261
Pop can redemption		93,335
Real estate taxes		1,944
Solid waste fees and sales tax		6,405
Regional collection center		6,186
White goods disposal		8,238
Debt payments:		
Principal		215,900
Interest		22,948
Miscellaneous		<u>13,351</u>
Total operating disbursements		<u>1,407,920</u>
Excess of operating receipts over operating disbursements		30,654
Non-operating receipts:		
Interest on investments		<u>1,530</u>
Change in cash basis net assets		32,184
Net assets, beginning of year		<u>72,548</u>
Net assets, end of year		<u>\$ 104,732</u>

## FINANCIAL ANALYSIS OF THE COMMISSION - (Continued)

In fiscal 2004, operating receipts increased by \$108,870, or 8%. The increase was primarily a result of assessments increasing by \$40,822, and gate fees increasing by \$64,279 due to an increase in waste received. In fiscal 2004, operating disbursements decreased by \$10,141, or 1%, from fiscal 2003. There were no significant reasons for this decrease.

### LONG TERM DEBT

At June 30, 2004, the Commission had \$232,486 of Buena Vista County loans and \$106,100 of Citizens Bank loans outstanding. These loans were issued in previous years to finance the construction of the recycling center and the leachate collection system.

### ECONOMIC FACTORS

Buena Vista County Solid Waste Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

Facilities require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.

Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

### CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Buena Vista County Solid Waste Commission, 1263 630<sup>th</sup> Street, Storm Lake, Iowa.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

Exhibit A

Assets	
Cash and cash equivalents:	
Restricted	\$ 30,546
Unrestricted	<u>74,186</u>
Total assets	<u>\$104,732</u>
Net assets	
Restricted for:	
Closure and postclosure	\$ 30,546
Unrestricted	<u>74,186</u>
Total net assets	<u>\$104,732</u>

See notes to financial statement.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

Operating receipts:	
City and County assessments	\$ 591,919
User fees and gate receipts	618,109
Sale of recycled products	57,349
Pop can redemption	122,176
Solid waste exchange	33,982
Finance charges	469
Rent	10,641
Miscellaneous	3,929
Total operating receipts	<u>1,438,574</u>
Operating disbursements:	
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Insurance	34,226
Engineering and testing services	18,668
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Pop can redemption	93,335
Real estate taxes	1,944
Solid waste fees and sales tax	6,405
Regional collection center	6,186
White goods disposal	8,238
Debt payments:	
Principal	215,900
Interest	22,948
Miscellaneous	13,351
Total operating disbursements	<u>1,407,920</u>
Excess of operating receipts over operating disbursements	30,654
Non-operating receipts:	
Interest on investments	<u>1,530</u>
Change in cash basis net assets	32,184
Net assets, beginning of year	<u>72,548</u>
Net assets, end of year	<u>\$ 104,732</u>

See notes to financial statements.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies

Buena Vista County Solid Waste Commission was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate, and maintain solid waste and recycling facilities in Buena Vista County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each of the nine member cities and one representative from Buena Vista County. The member cities are: Albert City, Alta, Lakeside, Marathon, Newell, Rembrandt, Sioux Rapids, Storm Lake, and Truesdale. The commissioners are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Buena Vista County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions, and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Jointly Governed Organization

The Commission also participates in a jointly governed organization, PCB Solid Waste Commission, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Commission.

Plymouth, Cherokee, and Buena Vista landfills are members of PCB Solid Waste Commission.

The Commission does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

C. Basis of Presentation - (Continued)

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Basis of Accounting

Buena Vista County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Commission are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of the Commission in accordance with U.S. generally accepted accounting principles.

E. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets - Cash Basis.

Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets - Funds set aside for payment of closure and postclosure care costs and unspent note proceeds are classified as restricted.

2. Deposits

The Commission's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition the Commission had investments in the Iowa Public Commission Investment Trust which are valued at an amortized cost of \$57,171 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

3. Notes and Loans

The Commission has an unsecured promissory note in the original amount of \$94,486 payable to Buena Vista County. Repayment of this interest-free loan to the County began August 1, 1993, with annual payments of \$4,700 over a 20 year period. The note balance was \$47,486 on June 30, 2004.

Buena Vista County, Iowa issued General Obligation Bonds in the amount of \$875,000 and loaned the proceeds to the Commission on June 1, 2000. The Commission has agreed to pay all interest and principal on the bonds on or before the due dates. The loan balance due at June 30, 2004 was \$185,000.

The Commission entered into a loan agreement with Citizens First National Bank on June 6, 1996 to finance at 6.25% the construction of a Leachate collection system, with \$375,000 as the maximum loan amount. Advances totaling \$359,000 were made under this loan agreement during the year ending June 30, 1997. Interest is due semi annually on June 1 and December 1 of each year. Ten equal principal installments of \$35,900 are due annually starting December 1, 1997. The interest rate was adjusted to 4.46%, effective December 1, 2001. The loan balance was \$106,100 as of June 30, 2004.

Annual debt service requirements to maturity for the above notes, bonds, and loans are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.35 to 4.46%	\$ 231,900	\$11,946	\$243,846
2006	4.46	40,600	2,261	42,861
2007	4.46	37,400	731	38,131
2008	-	4,700	-	4,700
2009	-	4,700	-	4,700
2010	-	4,700	-	4,700
2011	-	4,700	-	4,700
2012	-	4,700	-	4,700
2013	-	5,186	-	5,186
		<u>\$338,586</u>	<u>\$14,938</u>	<u>\$353,524</u>

4. Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by State statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$27,328, \$25,097, and \$21,619 respectively, equal to the required contributions for each year.



BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

5. Closure and Postclosure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure.

Environmental Protection Commission (EPA) requirements have established closure and thirty year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period.

The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost would be based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs to the Commission for closure and postclosure cost as of June 30, 2004 has been estimated at approximately \$178,075 and \$829,500, respectively. These liabilities have been guaranteed by Buena Vista County per Chapter 111.6(7) of the Iowa Code. The landfill has an estimated remaining life of five years as of June 30, 2004.

6. Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments payable to employees at June 30, 2004 is approximately \$15,089. This liability has been computed based on rates of pay as of June 30, 2004.

7. Solid Waste Tonnage Fees Retained

The Commission retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2004 the Commission had no unspent tonnage fees.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

8. Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or a portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool was \$28,269 for the year ending June 30, 2004.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Commission's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

8. Risk Management - (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Major Customers

For the year ended June 30, 2004, two customers accounted for approximately 53% of the gate receipts.

10. Accounting Change

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Commission.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of Buena Vista  
County Solid Waste Commission

We have audited the financial statements of Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Buena Vista County Solid Waste Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buena Vista County Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Buena Vista County Solid Waste Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of Buena Vista County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Buena Vista County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hungelman, Putzier & Co.*

December 6, 2004

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliation are all handled by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to limited office personnel, segregation of duties is difficult. Thorough review of the financial reports will be done monthly, dated and initialed by the reviewer. We will try to achieve segregation of duties by associating duties between the treasurer, manager, and office bookkeeper.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (5) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa.
- (6) Solid Waste Fees Retainage - During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(3), (4) of the Code of Iowa.

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Other Findings Related to Statutory Reporting: (Continued)

- (7) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs by obtaining a local government guaranty as provided in Chapter 111.6(7) of the Iowa Administrative Code and by requesting a variance to Iowa Administrative Code Section 567 Chapter 111.8, which requires fully funding closure and postclosure accounts before the closure of the landfill. The variance has been approved and provides as follows:
- a. Use the remaining life of the Buena Vista County landfill to set aside funds in the closure account for costs to close the landfill consistent with the landfill engineer's closure estimate; and,
  - b. Within ten (10) years after close of the landfill or by June 30, 2018, whichever is shorter, set aside funds in the postclosure account for costs to maintain the site for the remainder of the postclosure period consistent with the landfill engineer's postclosure cost estimate.

The total estimated costs for closure and postclosure care is \$1,007,575. Buena Vista County has guaranteed this liability.